

WIL
501.07-05
INTERNAL REVENUE SERVICE
District Director

DEPARTMENT OF THE TREASURY

Date: JUN 08 1998

FORM Number:

990

Exemption under Section 501(c)(7)
of the Internal Revenue Code

Person to Contact:

Contact Telephone Number:

Period Ended:

Dear

We have completed the review of your activities and examination of the form indicated above.

During the year under examination, it was noted that your activities were social and recreational. However, it was noted that your organization was supported primarily by non-members' investment income.

Section 501(c)(7) provides for exemption from taxation to club organized for pleasure, recreation, and other nonprofitable purposes, substantially all the activities or which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder. Treasury Regulation 1.501(c)(7)-1 provides that in general, the exemption extends to social clubs which are supported by membership fees, dues and assessments.

Public Law 94-568 allows exemption to social clubs which receive up to 35% of their gross support from non-members, without losing their exemption. In Revenue Ruling 66-149, a social club who regularly derived a substantial part of its income from non-members in form of interest and dividends, was determined to be non exempt from Federal Income Tax under IRC 501(c)(7).

Per the above, your organization was found to be non exempt from Federal Income Tax under IRC 501(c)(7). This is a final adverse determination of your exempt status under section 501(c)(7) of the Internal Revenue Code.

You are required to file Form 1120 (U.S. Corporation Income Tax Return) for the year ended _____ and subsequent years with the Service Center _____ The Forms 1120 that you provided before the examination was concluded for the years ending _____ are being forwarded there for processing. Please keep the address for your future Forms 1120 filings.

We will appreciate your compliance with the above requirements.

Sincerely Yours,


Steve Jensen
District Director